

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 05/25/2012
POSITION: Oppose

BILL NUMBER: SB 1571
AUTHOR: DeSaulnier, Mark

BILL SUMMARY: Voluntary Contribution: School Supplies for Homeless Children Fund.

This bill would establish the School Supplies for Homeless Children Fund (Fund) and add it to the personal income tax return as a voluntary contribution fund for providing financial support to homeless pupils in need of school supplies, as specified.

FISCAL SUMMARY

The Franchise Tax Board (FTB) estimates that personal income tax revenues could be reduced by about \$20,000 annually beginning in 2013-14 as a result of this bill. This bill is not expected to significantly affect the operating costs of the FTB, the State Controller's Office, or the State Department of Education.

COMMENTS

The Department of Finance opposes this bill because it could result in a \$20,000 annual General Fund revenue loss beginning in 2013-14.

ANALYSIS

1. Programmatic Analysis

Existing state law permits taxpayers to make contributions of their own funds on their tax returns to eighteen voluntary contribution funds. Taxpayers simply check-off on their tax forms where they would like the money donated. Unlike the federal tax check-off, which directs a portion of the taxpayer's tax to the presidential election fund and does not affect the taxpayer's tax liability or refund amount, the state tax check-off is a donation of the taxpayer's own money that permits an itemized deduction in the following year for personal income tax purposes. Currently available "check-off" funds are listed below. Applicable sunset dates are noted in parenthesis.

- a. ALS/Lou Gehrig's Disease Research Fund (1/1/2016)
- b. Alzheimer's Disease/Related Disorders Fund (1/1/2015)
- c. Arts Council Fund (1/1/2015)
- d. California Breast Cancer Research Fund (1/1/2013)
- e. California Cancer Center Research Fund (1/1/2013)
- f. California Firefighters' Memorial Fund (1/1/2016)
- g. California Fund for Senior Citizens (1/1/2015)
- h. California Peace Officer Memorial Foundation Fund (1/1/2016)

Analyst/Principal N. Ng	Date	Program Budget Manager Kristin Shelton	Date
Department Deputy Director			Date
Governor's Office:	By:	Date:	Position Approved _____ Position Disapproved _____
BILL ANALYSIS			Form DF-43 (Rev 03/95 Buff)

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ANALYSIS (continued)

- i. California Police Activities League (CALPAL) Fund (1/1/2015)
- j. California Sea Otter Fund (1/1/2016)
- k. California Seniors Special Fund (none)a/
- l. California Veterans Home Fund (1/1/2015)
- m. Child Victims of Human Trafficking Fund (1/1/2016)
- n. Emergency Food for Families Fund (1/1/2014)
- o. Municipal Shelter Spay and Neuter Fund (1/1/2016)
- p. Rare and Endangered Species Preservation Fund (1/1/2018)
- q. Safely Surrendered Baby Fund (1/1/2015)
- r. State Children's Trust Fund for the Prevention of Child Abuse (1/1/2018)

a/ The California Seniors Special Fund check-off is permanent and taxpayers are allowed to donate all or part of their senior exemption credit.

Current law allows the Franchise Tax Board (FTB) to add contingent income tax check-offs to the return if there is room to do so, regardless of how many check-offs were removed from the return that year. Generally, the check-offs are required to meet a minimum contribution test of \$250,000 on an annual basis. The intent of the \$250,000 minimum contribution requirement (except for California Fund for Senior Citizens, this amount is adjusted for inflation in subsequent tax years) is to ensure that check-off funds have sufficient public support to warrant continued placement on the tax return. The California Firefighters' Memorial Fund and the California Peace Officer Memorial Fund are required to meet the contribution test only when their respective repeal dates are deleted by another statute. Only the California Seniors Special Fund on the above list is not subject to the minimum contribution requirement.

This bill would establish the School Supplies for Homeless Children Fund (Fund) and add it to the personal income tax (PIT) return as a voluntary contribution fund. Taxpayers would be able to designate a contribution in excess of the tax liability to the Fund on their PIT return in full dollar amounts of \$1 or more. Upon Legislative appropriation and after reimbursing the Franchise Tax Board, the State Controller's Office, and the State Department of Education (SDE) for their administrative costs, contributions to the Fund would be transferred to SDE for allocation to any nonprofit public corporation for assisting pupils in California pursuant to the federal McKinney-Vento Homeless Assistance Act as specified below:

- The nonprofit public benefit corporation applying to SDE for a grant funded by this Fund must meet the following requirements:
 - It matches the grant funds with 100 percent of in-kind corporate donations.
 - It distributes the school supplies and health-related products on a statewide basis.

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ANALYSIS (continued)

- It spends less than 2 percent of the grant funds for administrative purposes.
- SDE may develop the detailed grant process including application forms, deadlines, audit procedures, and allocation amounts based on the number of qualified applicants.

This bill would require FTB to revise the tax return to include a check-off space for the Fund beginning with the first taxable year another voluntary contribution fund is removed, or as soon as space is available. The Fund could be added to the 2012 return filed on or after January 1, 2013.

This bill would allow the voluntary contribution designation to remain on the tax return for up to five years unless a later enacted statute deletes or extends that date. Beginning with second tax year the Fund is on the return, this bill would require the Fund to meet the minimum contribution test of \$250,000 (adjusted for inflation in subsequent tax years) on an annual basis. Otherwise, the law authorizing designations to this fund would be repealed.

This bill would require FTB to do the following by September 1 of the second and each subsequent calendar year that this check-off appears on the tax return:

- Determine the minimum contribution amount required to be received during the next calendar year for the fund to remain on the return, and notify SDE accordingly.
- Determine if the amount of contributions estimated to be received during the current calendar year will equal or exceed the minimum contribution amount required for that calendar year.

2. Fiscal Analysis

To the extent contributions would not be made to another charity in the absence of this voluntary contribution, this bill would increase itemized deductions and reduce revenues by a minor amount. FTB estimates that personal income tax revenues could be reduced by about \$20,000 annually beginning in 2013-14 as a result of this bill.

Because FTB, the State Controller's Office, and the State Department of Education would be reimbursed for their administrative costs, this bill is not expected to significantly affect the operating costs for these state agencies.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)					
	LA	(Dollars in Thousands)					
	CO	PROP					Fund
	RV	98	FC	2012-2013	FC	2013-2014	2014-2015 Code
1147/Pers Inc Tax	RV	Yes	U	--	U	-20	0001
1730/FTB	SO	No		----	No/Minor Fiscal Impact	----	0001
0840/Controller	SO	No		----	No/Minor Fiscal Impact	----	0001
6010/K 12 Ed	SO	No		----	No/Minor Fiscal Impact	----	0001